

PENNSYLVANIA GAMING CONTROL BOARD

HEARING ROOM 1  
NORTH OFFICE BUILDING  
HARRISBURG, PENNSYLVANIA

THURSDAY, JANUARY 19, 2006, 11:03 A.M.

BEFORE :

THOMAS DECKER, CHAIRMAN  
MARY DiGIACOMO COLINS  
WILLIAM P. CONABOY  
JEFFREY W. COY,  
KENNETH T. McCABE  
JOSEPH W. MARSHALL, III  
SANFORD RIVERS  
ROBERT P. CASEY, JR., STATE TREASURER  
GREGORY C. FAJT, SECRETARY OF REVENUE

HILLARY M. HAZLETT, REPORTER  
NOTARY PUBLIC

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1                   CHAIRMAN DECKER: Good morning. I'm Tad  
2 Decker, Chairman of the Pennsylvania Gaming Board. I  
3 would like to welcome you.

4                   A quorum of the voting members of the Board  
5 are present and, therefore, this meeting is called to  
6 order.

7                   As always, let me remind you, and myself  
8 included, to shut off your various electrical devices  
9 because they can interfere with the sound system.

10                  Let's begin as we usually do and please  
11 join me in the Pledge of Allegiance.

12                  (Pledge of Allegiance.)

13                  CHAIRMAN DECKER: Thank you. Earlier  
14 today, we held an Executive Session to discuss  
15 personnel matters, specifically potential employees  
16 of the agency. No business was conducted during this  
17 session.

18                  We have some minutes to approve, the  
19 transcripts of our meeting on December 15th and  
20 January 5th.

21                  COMMISSIONER MARSHALL: So moved.

22                  CHAIRMAN DECKER: Thank you.

23                  Can I have a second, please?

24                  COMMISSIONER CONABOY: Second.

25                  CHAIRMAN DECKER: All in favor?

1 COMMISSIONERS: Aye.

2 CHAIRMAN DECKER: Any opposed?

3 Motion carries.

4 We're going to move on to new business.

5 Our first area today will be a report from our

6 Executive Director, Anne Neeb.

7 Anne?

8 Anne, it's been a few weeks since our last

9 meeting. Can you tell us now about the application

10 submissions generally and update us on the agency's

11 progression as an over all matter. Thank you.

12 MS. LaCOUR NEEB: Good morning, Chairman

13 Decker and the Board Members. Basically, in the

14 application process for operators -- okay. We've

15 received 25 applications. They are presently being

16 reviewed for completeness. All of the information

17 from those applications is being placed into a

18 database. That requires an enormous amount of intake

19 materials that are being reviewed.

20 In addition to that, we have started with

21 the process at least of planning the public forum

22 hearings, which are going to take place throughout

23 the state, to accept public comment as to each

24 facility and its location so as to how the community

25 accepts the project.

1           It will be 11 days of public hearings and  
2 we have the basic sites. There may be some changes  
3 to the schedule just for logistic purposes. These  
4 may change a little bit. It's Harrisburg,  
5 Philadelphia, Pittsburgh, Erie, the Poconos, Lehigh  
6 Valley, and Somerset.

7           What we're trying to do is have hearings in  
8 those areas so that anyone who has anything to say  
9 about the project is given an opportunity to present  
10 themselves to the Board. Those hearings --

11           CHAIRMAN DECKER: That will be all 14  
12 projects including the six racetracks?

13           MS. LaCOUR NEEB: Right. All projects.  
14 This will be a record that will be developed. All  
15 witnesses, of course, will be sworn in. It will sort  
16 of be like Senate hearings where you come in and give  
17 testimony.

18           We will have those. Please check the  
19 website for the exact dates and locations and times  
20 in case there has to be any changes made because of,  
21 you know, scheduling conflicts.

22           In addition to receiving the applications  
23 and moving along with that process, we have pretty  
24 much -- we're almost at the stage where we have

25 completed most of the initial backgrounds on

6

1 manufacturers.

2           We will continue to do that, and all of  
3 those have been placed with our investigative  
4 contractor for background checks. We anticipate  
5 having those suitable reports completed in the next  
6 two weeks, which will then be forwarded to the Board.

7           In addition to that, we have -- on another  
8 front, we have found space, office space for our  
9 Bureau labs. It will be in the Tech Port Building in  
10 Swatara Township. That seemed to be the best site  
11 for that particular office.

12           In addition to that, we received proposals  
13 for both the east and west offices, which have been  
14 turned over to DGS to review. They are in the  
15 process of that request for the final office.

16           There are approximately -- I think it was  
17 24 -- 24 in the west and 14 in the east by way of  
18 proposals for people who had responded for the lease  
19 space. That's about it, unless you all have any  
20 questions.

21           CHAIRMAN DECKER: Any questions for Anne  
22 about the report?

23           MS. LaCOUR NEEB: Now, we're going to have  
24 presentations, additional presentations on different

25 issues, particularly on the public forum hearings,

7

1 and Susan will give updates to the particulars on the  
2 applications for the operators' licenses. Thank you.

3 CHAIRMAN DECKER: Thank you. Moving on in  
4 accordance with what Anne just said. Next up is our  
5 Director of Administration, Mike Walsh, who will tell  
6 us about the candidates for the Board to consider  
7 positions. Are any of those working?

8 MR. WALSH: Thank you, Mr. Chairman. I  
9 have -- the Bureau of Administration puts forth 15  
10 names for consideration by the Board.

11 Before we do that, however, there's one  
12 administrative item and that is the recommendation in  
13 the area of the Bureau of Corporate Compliance and  
14 Internal Controls currently served by Denyse Miskin,  
15 in an acting director role. The recommendation is  
16 that we remove the acting and make her the permanent  
17 director.

18 COMMISSIONER MARSHALL: So moved.

19 COMMISSIONER RIVERS: Second.

20 CHAIRMAN DECKER: Any questions for Mike  
21 about that?

22 All of those in favor, please indicate by  
23 saying aye.

24 COMMISSIONERS: Aye.

25 CHAIRMAN DECKER: Any opposed?

8

1 Motion carries.

2 Thank you.

3 MR. WALSH: The 15 candidates, the first is  
4 in the office of chief counsel, legal counsel  
5 Nicholas Rodriguez-Cayro as a senior counsel. In the  
6 office of the executive director working for the two  
7 legislative liaisons would be Kathleen Zerfuss as an  
8 administrative assistant.

9 In our Bureau of Administration, James Buck  
10 as a director of information technology. In the  
11 office of Hearings and Appeals, William J. Simmons,  
12 who is an attorney, as a Hearings Officer.

13 In the Bureau of Investigation and  
14 Enforcement, there are eight candidates. I'll begin  
15 with the western regional office where there are  
16 four; William Bonner would be an investigator,  
17 Theresa Beebe, Suzanne Gaines Pearson, and Katherine  
18 Thomas.

19 In the central regional office, there are  
20 John Kasmark, as an investigator; and Kathy Filbey,  
21 as a support specialist; and two support staff in the  
22 eastern regional office, Deborah Davis and Victoria  
23 Krystopa.



24                   Finally, the final three are in Susan  
25 Hensel's shop and they are Barbara Kaylor --

9

1                   CHAIRMAN DECKER: That's in licensing?

2                   MR. WALSH: Licensing, yes. Thank you.  
3 Barbara Kaylor, as a licensing support specialist;  
4 Melanie Drewencki, as a licensing analyst; and Judith  
5 Schell, also as a licensing analyst.

6                   CHAIRMAN DECKER: Thank you, Michael.

7                   May I have a motion approving those  
8 candidates?

9                   COMMISSIONER RIVERS: Based on the  
10 recommendation, I move to offer these individuals  
11 employment.

12                   CHAIRMAN DECKER: Do I have a second?

13                   COMMISSIONER CONABOY: Second.

14                   CHAIRMAN DECKER: Any questions for Mike  
15 about any of the candidates today?

16                   They're all subject to a background  
17 investigation?

18                   MR. WALSH: That's correct.

19                   CHAIRMAN DECKER: All those in favor,  
20 please indicate by saying aye.

21                   COMMISSIONERS: Aye.

22                   CHAIRMAN DECKER: Any opposed?

23 COMMISSIONER RIVERS: No.

24 CHAIRMAN DECKER: Thank you. The motion  
25 carries unanimously.

10

1 Thank you, Michael. You have more?

2 COMMISSIONER RIVERS: Michael, one  
3 question. Could you give us an update in terms of  
4 the number of people, of the diversity and, more  
5 importantly, what you see into the future in terms of  
6 by June 30th what the scale of the office should look  
7 like?

8 MR. WALSH: Sure. The first question, the  
9 15 hires today will bring our complement to 149.

10 COMMISSIONER RIVERS: Now, is that actual  
11 in terms of people coming on board or who will be on  
12 board as it relates to how many are working right  
13 now?

14 MR. WALSH: As it relates to how many are  
15 working -- closer to 75, I would say, are sitting in  
16 desks right now. Remember that the Bureau of  
17 Investigation and Enforcement is getting an intensive  
18 two-week training period from January 23rd to  
19 February 3rd.

20 Fully, you know, 50, 51 people will be  
21 starting that. So that's what is going to  
22 immediately bump up the numbers of that when I say

23 people sitting in desks. So by next week, we will  
24 almost double it.

25 Then from the other hires that we have on

11

1 today, over the next three, four weeks as people tell  
2 their current employers that they are taking another  
3 job and we work with them to get them on board, it's  
4 always about three or four weeks lead time from the  
5 time the Board hires them.

6 In terms of diversity, the latest numbers I  
7 have is in terms of racial diversity, we are at 14  
8 percent minority.

9 I guess to put that in perspective, the  
10 Governor's annual workforce report for 2004 I'm told  
11 says that 10.8 percent of the labor force consists of  
12 minorities. So I guess we're a little higher than  
13 the Governor's workforce average.

14 Then in terms of male/female breakdown, we  
15 are at 43 percent female, about 57 percent male. I  
16 mean, as you know, we support and continue to seek  
17 ways to increase the diversity of the candidates, not  
18 only that we eventually hire but even that we bring  
19 in for interviews.

20 We work pretty hard to cultivate a rich  
21 diverse field of people who are being applied for all

22 of the jobs.

23 In each Bureau, we're working with the  
24 directors because we talk about this for both the  
25 candidates they bring in and then, you know, those

12

1 that are hired to ensure that we keep that in mind.

2 In my Bureau of Administration, we just  
3 hired the first other male besides myself today with  
4 Jim Buck, the director of IT. Then there are seven  
5 females. So we look for a gender and racial  
6 diversity everywhere we can.

7 I think you had a third question, which was  
8 the outlook, Commissioner. Is that in terms of the  
9 workforce from now until June 30, 2006?

10 COMMISSIONER RIVERS: That's correct.

11 MR. WALSH: Working with Lynn Stelle, our  
12 financial consultant, and working with the directors,  
13 we've broken down a quarter-by-quarter needs list, I  
14 guess is the best way to put it, based on dealing  
15 with those manufacturers, the eventual suppliers and  
16 operator licenses that need to be dealt with.

17 I would anticipate that the number, you  
18 know -- I don't want to throw out an exact number  
19 because there's some unknowns; but in the area of 30  
20 more employees would be, I think, the high end number  
21 from now through the end of the fiscal year.

22                   You know, given, I guess, our financial  
23 situation, we're always working to make sure that  
24 every employee is needed and there's a strong  
25 justification for each position we fill.

13

1                   COMMISSIONER RIVERS: We talk about  
2 background checks. To this date, have we had anyone  
3 who has been disqualified because of a background  
4 check?

5                   MR. WALSH: No.

6                   COMMISSIONER RIVERS: So that says  
7 something about the interviewing and the hiring  
8 process is a positive mode?

9                   MR. WALSH: Perhaps, yeah.

10                  COMMISSIONER RIVERS: Thank you.

11                  SECRETARY FAJT: Mr. Chairman, one  
12 follow-up question. Mike, the numbers you gave us on  
13 the number of women and minorities, is that based on  
14 the 149 employees or the 75 people in the chairs?

15                  MR. WALSH: It's based on 146.

16                  SECRETARY FAJT: Okay. Thank you.

17                  MR. WALSH: I guess that there is three. I  
18 would presume that we have to go by forms they fill  
19 out as you know. You can't presume -- you can't go  
20 by hearsay and say I talked to that person, this is

21 what I think their racial origin is. You have to go  
22 by that legal form they fill out. I presume there  
23 are three that haven't yet filled out that form. So  
24 that number is based on 146.

25 CHAIRMAN DECKER: Any other questions for

14

1 Mike?

2 Mike, in terms of our progress on the  
3 leases and opening up those offices, what is next on  
4 the central because that seems to be the furthest  
5 along? Are you going to get a lease and then we have  
6 to vote on it?

7 MR. WALSH: For Central Pennsylvania?

8 CHAIRMAN DECKER: Yes.

9 MR. WALSH: The -- David Kwait, Richard  
10 Williamson, and myself have met with folks at Tech  
11 Port.

12 CHAIRMAN DECKER: Right.

13 MR. WALSH: And they're at the end of this  
14 month giving us the build-out plan and the final  
15 numbers --

16 CHAIRMAN DECKER: Okay. So you're not  
17 ready for us to vote on anything today?

18 MR. WALSH: No. At the February 2nd  
19 meeting, I will say here is the lease that DGS has --

20 CHAIRMAN DECKER: I don't want to get ahead

21 of ourselves.

22 MR. WALSH: That's the place we've  
23 identified.

24 CHAIRMAN DECKER: Okay. Thank you. Any  
25 other questions for Michael?

15

1 Thank you.

2 MR. WALSH: Thank you.

3 CHAIRMAN DECKER: Next up is LaMonte  
4 Williams, our Chief Diversity Officer. LaMonte is  
5 going to talk to us today about a plan we're working  
6 with the Department of General Services to facilitate  
7 the licensing vendors and suppliers under the  
8 Commonwealth's Women and Minority-Owned Business  
9 Programs.

10 LaMonte?

11 MR. WILLIAMS: Thank you, Mr. Chairman.  
12 Good morning, Commissioner. Good morning, members of  
13 the Board.

14 I'm going to update you today on one of our  
15 diversity initiatives, like the Chairman said,  
16 specifically the certification of minority and  
17 women-owned businesses who would like to apply for  
18 applications or certifications with the Board.

19 The Department of General Services is

20 responsible for certifying minority and women-owned  
21 business that want to do business in the  
22 Commonwealth.

23           As you know, DGS requires that businesses  
24 in order to be certified as a minority or women-owned  
25 business, they have to be legally able to do business

16

1 in the State of Pennsylvania.

2           Of course, that may create somewhat of a  
3 cycle if they are applying for licensing with us and  
4 that licensing -- and they also are applying for  
5 licensing as a minority of -- certification rather as  
6 minority or business-owned -- minority or women-owned  
7 business, because their application may actually be  
8 pending in our area and they technically aren't  
9 legally able to do business in Pennsylvania.

10           So Susan Hensel and I met with the  
11 Department of General Services to see if we could  
12 come up with a solution for this. What we have  
13 decided is to create a conditional certification for  
14 businesses who want to get involved in the gaming  
15 industry, in which they will certify them if they  
16 meet all of the other criteria except for being able  
17 to legally do business in Pennsylvania.

18           Now, this is a very select few group of  
19 individuals, because we're talking about entities



20 that would want to do business in gaming per se, just  
21 a gaming business, not necessarily someone who is an  
22 accounting firm or some other type of business,  
23 because then they would have to meet, of course, all  
24 of the requirements.

25 It's just businesses that want to be

17

1 certified as a minority or women-owned business but  
2 need some type of application or certification from  
3 the Board.

4 So again, we're working with the Department  
5 of General Services with coming up with a conditional  
6 letter of certification regarding their status as a  
7 minority or women-owned business.

8 That's all I have today. Are there any  
9 questions?

10 CHAIRMAN DECKER: Please.

11 COMMISSIONER CONABOY: LaMonte, can you  
12 give me an example of the type of individual or type  
13 of business that they might want to do in the gaming  
14 industry?

15 MR. WILLIAMS: Sure.

16 COMMISSIONER DiGIACOMO COLINS: Also add to  
17 that example what the process would be.

18 MR. WILLIAMS: Sure. I'll try to lump both

19 of those questions together. This is hypothetically  
20 speaking, of course.

21 If we're talking about a company that maybe  
22 manufacturers some type of printouts for the slot  
23 machines, that there may be some type of paper  
24 product or some specific type of printout that would  
25 be needed for a slot machine.

18

1 Let's say that they are considered -- they  
2 are a minority or women-owned business. However,  
3 since they are specific to the gaming industry, they  
4 would have to apply for a certification or a license  
5 with you.

6 Of course, at the same time, when they go  
7 to the Department of General Services to be certified  
8 as a minority or women-owned business under the  
9 Department of General Services guidelines, they have  
10 to be legally able to do business in Pennsylvania;  
11 and at that point in time, they wouldn't be able --  
12 wouldn't legally be able to do business in  
13 Pennsylvania, because their certification or  
14 application hasn't been approved by the Board at that  
15 time.

16 At that point, the Department of General  
17 Services would do the due diligence as they normally  
18 do, and make sure that that particular entity meets

19 all of the other criteria except for the one of being  
20 able to do gaming in Pennsylvania.

21           Again, that certification would be  
22 dependent upon them being approved by you to do that  
23 particular business.

24           COMMISSIONER RIVERS: LaMonte, when you use  
25 the term legal to do business in Pennsylvania, are

19

1 you specifically stating that they have to be  
2 certified before they're, quote, legally --

3           MR. WILLIAMS: Yes. In certain situations,  
4 a business entity may need to have some type of  
5 certification before they can do business in  
6 Pennsylvania. Such as --

7           CHAIRMAN DECKER: They have to be  
8 qualified?

9           MR. WILLIAMS: Exactly. They qualify.  
10 It's just a process.

11           CHAIRMAN DECKER: It's a process?

12           MR. WILLIAMS: It's a certification  
13 process.

14           COMMISSIONER RIVERS: Is that to be  
15 identified as a minority vendor?

16           MR. WILLIAMS: Yes.

17           COMMISSIONER RIVERS: Okay.

18 MR. WILLIAMS: Under the Department of  
19 General Services process, yes.

20 COMMISSIONER RIVERS: And typically, how  
21 long does the certification take?

22 MR. WILLIAMS: I'm not too sure about that.  
23 I would have to ask the Department of General  
24 Services.

25 TREASURER CASEY: LaMonte, I've got a

20

1 couple of questions about this. First of all, a  
2 couple years ago, I was very critical of DGS's  
3 program. I didn't think they were enforcing the  
4 regulations or any statute that governed it. I think  
5 it's better now than it was three or four years ago.

6 What I would be concerned about with regard  
7 to some type of conditional letter is what under --  
8 what undergerds it? What is the research and  
9 investigation that backs it up, because there were  
10 problems years ago where the Department -- and again,  
11 I think it's a lot better now; but I haven't done any  
12 current review of it.

13 The Department often would give companies  
14 kind of a second bite of the apple. They would come  
15 up and they would say, I tried. I tried to achieve  
16 some diversity but I couldn't find any firms.

17 The Department would basically say, well,

18 go out and give it another try for a couple of days  
19 and come back. Many companies, not every but many  
20 companies, would go out and kind of go through the  
21 motions and come back and say, I tried and it didn't  
22 work. They would say, okay; and let them go.

23 I would be just in terms of -- I think  
24 there's an -- obviously, DGS has due diligence that  
25 they have got to perform; but I think in terms of

21

1 this agency, this Board, I think we'd want some  
2 assurance that there was some double-checking. I  
3 know it's early in this process.

4 Is there anything that you've specifically  
5 or anyone on behalf of the Board has anything  
6 specifically that you have done to make sure that  
7 that conditional letter has some weight behind it?

8 MR. WILLIAMS: Yes, I have. I have met  
9 with a DGS personally. We are going co-author or  
10 rather co-draft this letter. I do have some sample  
11 language that the letter does indeed have teeth to  
12 it.

13 I think some of the power behind letters is  
14 the fact that it is a conditional license. They do  
15 have 12 months to basically get their approval from  
16 the Board, this Board in order to do business in

17 gaming.

18 I personally, as the Chief Diversity  
19 Officer, take this very seriously and plan to keep a  
20 database and keep a system regarding these  
21 conditional certifications that have been authored.

22 Also, I've talked to DGS about their  
23 eligibility standards and what things they're doing  
24 as far as the due diligence to make sure that there  
25 is some effective due diligence being performed.

22

1 I looked at their standards and some of the  
2 criteria they use regarding operational control and  
3 management control, it looks to be pretty powerful.

4 In order to be a certified minority or  
5 women-owned business, you actually have to have some  
6 expertise in that business that you -- that you claim  
7 to be the owner in.

8 You have to be able to make executive  
9 decisions. If it's a corporation, you have to be  
10 Chairman of the Board. Of course, you have to own 51  
11 percent of that company in order to be truly a  
12 certified business.

13 So I think it appears to me that they're  
14 doing everything that can be done so there wouldn't  
15 be any, quote, unquote, phantom companies, to make  
16 sure that these are truly minority and women-owned

17 businesses.

18 I will do everything on my end as Chief  
19 Diversity Officer to make sure that these businesses  
20 that want a 12-month -- get a 12-month conditional  
21 certification are indeed have their ticket punched,  
22 for lack of a better term, by that 12-month period.

23 Also, the letter does state that you only  
24 get one bite at the apple. You have to get it within  
25 12 months and that that conditional certification is

23

1 specifically for gaming and they can't do any other  
2 type of business without going through the  
3 certification process.

4 TREASURER CASEY: Thank you.

5 MR. WILLIAMS: Sure.

6 CHAIRMAN DECKER: So when they get the  
7 certification, they'll use that to hopefully marry up  
8 with the operators, correct?

9 MR. WILLIAMS: Yes, absolutely.

10 CHAIRMAN DECKER: So the operators will  
11 know, to Treasurer Casey's point, that they are truly  
12 qualified?

13 MR. WILLIAMS: Yes, yes.

14 CHAIRMAN DECKER: Okay.

15 COMMISSIONER COY: Mr. Chairman?

16 CHAIRMAN DECKER: Please.

17 COMMISSIONER COY: Go.

18 COMMISSIONER MARSHALL: LaMonte, at our  
19 diversity forums, one of the complaints was that  
20 there are all of these contracts and arrangements and  
21 that a lot of the businesses were having trouble  
22 getting business.

23 What are we going to do to make sure that,  
24 A, we convince people that we're serious about it  
25 and, B, we'll enforce it?

24

1 MR. WILLIAMS: Actually, this is one of the  
2 initiatives to ensure that. That's one of the points  
3 of the conditional certification.

4 There's a lot of companies out there that  
5 are capable of helping some of these applicants, and  
6 we want to increase that pool of possible people that  
7 they can do business with. That was one of the  
8 points of the conditional certification.

9 Also, the Chairman put out a conditional  
10 letter, I believe -- I'm sorry -- an industry letter,  
11 I believe it was in October, of putting the industry  
12 on call that -- putting the industry on alert that we  
13 do take this serious and the fact that we will be  
14 looking at not only what you do from this point  
15 forward but what you have done in the past.



16 COMMISSIONER MARSHALL: At the diversity  
17 hearing in Philadelphia, there was a woman, I believe  
18 she had a stationery company from Lancaster, who got  
19 up and made the point that she has all of these deals  
20 but she can't get any business. Would she be able to  
21 call you or your office?

22 MR. WILLIAMS: Absolutely. Yes, she will.

23 COMMISSIONER MARSHALL: And you will  
24 intercede?

25 MR. WILLIAMS: Yes. And I will touch base

25

1 with the Department of General Services and make sure  
2 she's on the proper list and proper database.

3 The Department of General Services does  
4 have a data base on their website, which lists  
5 certified minority and women-owned businesses. I'll  
6 assure that she is on that database. I'll talk to  
7 the Department of General Services about her also.

8 CHAIRMAN DECKER: We're also going to --  
9 Jeff is next. We're also going to have -- to Chip's  
10 question, we're going to have -- each operator is  
11 going to have a diversity plan, not only for hiring  
12 but for their vendors, correct?

13 MR. WILLIAMS: Yes.

14 CHAIRMAN DECKER: We're going to hold them

15 to that.

16 MR. WILLIAMS: Yes, we are.

17 CHAIRMAN DECKER: I think that helps a  
18 little bit as well. It's going to be up to them to  
19 find them. If they need help, we can certainly refer  
20 them in the right direction. Under law, we can't  
21 tell them to go in that direction but we can tell  
22 them where to go to find people, correct?

23 MR. WILLIAMS: That's right, Mr. Chairman.  
24 We will be reviewing those plans on a regular basis  
25 also, not just at the application process.

26

1 COMMISSIONER COY: Thank you, Mr. Chairman.  
2 Two points, LaMonte, if I could, and my fellow  
3 Commissioners.

4 I think very truly along the line that the  
5 Treasurer said, we should look at whatever guidelines  
6 are there from the Department of General Services or  
7 other places in State Government as minimum  
8 guidelines.

9 I think we should attempt to go further and  
10 make every attempt that we can to go further. With  
11 regard to the subject of not having a second bite at  
12 the apple, while I appreciate that, I think the fact  
13 is that we ought to give operators and so on an  
14 opportunity to do better, an opportunity along the

15 way to continually update the Board on what they do  
16 on a continuing basis to advance diversity and  
17 diversity plans.

18           While their initial plan and their initial  
19 application is going to be crucial, because the Board  
20 will consider that as a absolutely crucial part of  
21 their plan and their application, I think there ought  
22 to be an attempt on the part of the Board to  
23 continually allow them to bring to the Board how they  
24 have achieved and gone further in the process of  
25 doing business in Pennsylvania.

27

1           MR. WILLIAMS: Yes, Commissioner. I'll  
2 make sure I incorporate that as we review their  
3 diversity plans on a regular basis. I'll make sure I  
4 incorporate that into that review.

5           CHAIRMAN DECKER: Any other questions for  
6 LaMonte from the Commissioners?

7           LaMonte, thank you very much.

8           MR. WILLIAMS: Thank you, Mr. Chairman.  
9 Thank you, Board Members.

10           CHAIRMAN DECKER: Next up will be Mike  
11 Edminston and Dale Miller from the Bureau of Hearings  
12 and Appeals. They're going to presenting an overview  
13 of our plan for holding public input hearings on

14 casino proposals across the state. Then we're going  
15 to vote on that plan as referenced by Anne in her  
16 opening. Thank you.

17 MR. EDMINSTON: Good morning, Mr. Chairman.

18 CHAIRMAN DECKER: We're going to start by  
19 putting the time line on you two just like you are on  
20 everybody else pursuant to this program.

21 MR. MILLER: This will be a fast one.

22 CHAIRMAN DECKER: Thank you very much.

23 MR. EDMINSTON: You'll run the clock on us,  
24 huh? Good. By way of introduction, the slides we  
25 have for you today are brief. They're been developed

28

1 through the collective efforts of Jim Dohery, Mickey  
2 Kane, Michelle Afragola, Dale Miller, and myself  
3 responsive to the guidance and direct involvement of  
4 Board Member Mary Colins.

5 As you know, the PGCB regulations are  
6 infused throughout with a core component that  
7 recognizes the importance of intergovernmental  
8 cooperation and community input regarding potential  
9 slot machine operating facilities.

10 This program of 11 days of public input  
11 hearings, which will take place between April 6th and  
12 May 3rd in seven regions of the Commonwealth, has  
13 been developed in furtherance of that core component

14 of the PGCB's regulatory character and style.

15           This slide presents the purpose of these  
16 hearings, all 11 days of them. The purpose is  
17 basically to provide a public hearing in each region  
18 of our state where a slot machine operator license  
19 applicant has proposed a facility for approval by  
20 this Board and to develop a formal, oral, and public  
21 hearing record that includes the operator applicant's  
22 summary of the plan submitted and local government  
23 unit community group and general public comment  
24 thereon.

25           MR. MILLER: In order to make it convenient

29

1 for the public to attend the hearing, we divided the  
2 state into seven regions. The submitted applications  
3 have been mapped with the locations where the  
4 hearings will be held.

5           That way the applicant presentation can be  
6 coordinated with public comment, and everybody can  
7 have a say in what happens in their community.

8           We right now have scheduled these dates for  
9 the hearings. The dates and the locations are  
10 subject to change depending on logistics and other  
11 considerations.

12           SECRETARY FAJT: Dale, could I ask, I see a

13 lot of people in the audience writing those dates  
14 down. Could we go back to that last slide?

15 CHAIRMAN DECKER: And location as well.

16 Pardon me?

17 MR. HAYS: We'll have a release on it with  
18 all of the dates.

19 CHAIRMAN DECKER: I think Nick Hays just  
20 said we'll have a release. We're going to hand that  
21 out.

22 MR. MILLER: I think it's proposed to be on  
23 the website.

24 CHAIRMAN DECKER: Right. And just let me  
25 say, we already think there's going to be one change

30

1 and that will be maybe have one in either Somerset or  
2 Seven Springs and another separate one in the  
3 vicinity of Nemaquin, the applicant, because we  
4 think the distance is pretty far, a couple of hours  
5 from each other, as pointed out by the Board Member.  
6 That will be one change. There may be a couple of  
7 others. So keep in touch. This thing may need  
8 adjusted from time to time.

9 COMMISSIONER DiGIACOMO COLINS: Also, I  
10 would just like to add, it will take just a few days  
11 to work out those final wrinkles in it.

12 MR. EDMINSTON: Very good. As to the

13 format of the hearings for each of these seven  
14 regional public hearings, asterisk added as to there  
15 might be adjustments in location, the structure for  
16 receipt of oral and written submittals entails three  
17 elements; one, a panel comprised of members of the  
18 PGCB Board.

19               That panel is expected -- will include a  
20 minimum of two Board Members for each day of the  
21 public input hearings.

22               Two, one presiding officer, whose function  
23 generally will be that of managing each day of the  
24 public input hearings and managing that day in a  
25 manner consistent with the purpose of the public

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1 input hearings and to assure compliance with routine,  
2 yet specific elements of hearings that have been  
3 designed to provide a common focus and to foster  
4 responsible assessment.

5               The third and the last component is that  
6 provided by the speakers and presenters who will  
7 proffer their proposals and comments.

8               The participation in these public input  
9 hearings as this slide depicts involves a format  
10 designed to provide the operator license applicant 40  
11 minutes to describe their proposals, while

12 accommodating 30 minutes of comment from local  
13 government units, 10 minutes from community groups,  
14 and 3 minutes per individual member of the general  
15 public.

16 We have built into this proposal a  
17 registration system. The procedures will require  
18 registration of each speaker presenter by March 6th  
19 and advanced submittal of their materials and the  
20 topics they intend to discuss.

21 MR. MILLER: To assure that hearings are  
22 conducted fairly and orderly, we developed a set of  
23 rules and code of conduct.

24 Those rules will be provided to all  
25 speakers. We're going to post those rules and that

32

1 code in both the hearing room and outside the hearing  
2 room.

3 The presiding officer at each of these  
4 hearings will make sure that everyone present abides  
5 by the rules. We want to make sure that everybody  
6 gets their say but in an orderly manner.

7 All of the testimony at these hearings will  
8 be transcribed. Everyone who comes to that podium,  
9 speaks at that microphone will be either under oath  
10 or affirmation.

11 We'll have a stenographer there to



12 transcribe the testimony, and the clerk of the Board  
13 will take custody and retain custody of both the  
14 transcript and any exhibits that are presented.

15 Those things will then become part of the  
16 evidentiary record. That record will be reviewed by  
17 the Board as part of the licensing process prior to  
18 any decision, any final decision on the licensing.

19 MR. EDMISTON: We now come to your favorite  
20 part, the closing. Appreciating the importance of  
21 the popular confidence in our institutions of  
22 government, it has been a pleasure to work with my  
23 colleagues in the development of this Gaming Control  
24 Board Program, the public input hearings. Thank you.

25 CHAIRMAN DECKER: That's a very concise and

33

1 good report. It's excellent. I think we ought to  
2 try to make that list available. I know it's on the  
3 website but make it clear on the website, not just  
4 the list of dates but the things that are going to be  
5 covered and the structure and the process, Nick. I  
6 think you did a very good job.

7 COMMISSIONER COY: Mr. Chairman?

8 CHAIRMAN DECKER: Please.

9 COMMISSIONER COY: Yes. I commend the  
10 folks from the Hearings and Appeals for their brief

11 presentation.

12 MR. MILLER: We cut done on the slides.

13 COMMISSIONER COY: Did you? I see. Good.  
14 I just have two comments. Other Commissioners may  
15 want to speak to the -- because of the fact that  
16 they're from the city-type areas; but I know speaking  
17 as someone who lives in the non-city-type areas of  
18 the state, I think as the Chairman mentioned, we may  
19 want to give something to the one where you consider  
20 the two resort applications, one being in -- instead  
21 of having them both in Somerset, that area where the  
22 other application is from is clearly a different  
23 community, Fayette County, as opposed to Somerset  
24 County. I think we would do well to have the hearing  
25 in both areas.

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1 I would also ask for consideration, and I  
2 am not trying to appease anyone or anybody, but I  
3 think it may be good to consider given the fact of  
4 the application in Gettysburg to have a hearing in  
5 that community also as opposed to simply in  
6 Harrisburg.

7 So whatever we approve today, Mr. Chairman,  
8 I think we should say that it would be subject to  
9 some amendments after some more thought is given to  
10 the exact communities and whether they are truly one

11 community or whether there are two or three separate  
12 communities that could be represented when you're  
13 talking about local input.

14 Thank you, Mr. Chairman.

15 CHAIRMAN DECKER: I think that's a good  
16 comment.

17 COMMISSIONER DIGIACOMO COLINS: Can I make  
18 a comment?

19 CHAIRMAN DECKER: Please.

20 COMMISSIONER DIGIACOMO COLINS: I agree. I  
21 think we can take that into consideration and  
22 reevaluate some of those dates and times. It will  
23 take just a few days to finalize that, but I want to  
24 congratulate those of you who worked so diligently  
25 who have already been named to develop this program.

35

1 I just want to publicly state that the most  
2 important aspect of conducting hearings of this  
3 magnitude on a statewide basis is that we develop and  
4 I think we have developed framework of order and  
5 decorum for the conduct of the hearing, because it's  
6 through that type of forum that we can get the best  
7 and the broadest exchange of information and ideas.

8 That is what we're striving to obtain  
9 through these public input hearings, as many diverse

10 ideas as possible.

11 We can only do that through a structured,  
12 organized, orderly presentation. So that was the  
13 basis for this. That's how the hearings will be  
14 conducted.

15 CHAIRMAN DECKER: Thank you. Thank you,  
16 Mary.

17 Any other questions or comments for Michael  
18 or Dale?

19 Hearing none -- we have to vote.

20 COMMISSIONER DiGIACOMO COLINS: I have a  
21 motion.

22 CHAIRMAN DECKER: Please. Go ahead.

23 COMMISSIONER DiGIACOMO COLINS: I was going  
24 to just tie it into the regulations.

25 CHAIRMAN DECKER: Please.

36

1 COMMISSIONER DiGIACOMO COLINS: I'll move  
2 that the Board holds public input hearings pursuant  
3 to Section 441.12 of the regulations and in  
4 accordance with the rules for conducting these  
5 hearings, which were summarized and presented to us  
6 today and which will be published on our website.

7 COMMISSIONER MARSHALL: Second.

8 CHAIRMAN DECKER: Any comment or questions?

9 Hearing none --

10 COMMISSIONER COY: Just that we would --

11 CHAIRMAN DECKER: Please. We're going to  
12 fool with the dates and locations and take another  
13 review of those.

14 So subject to that, Mary, okay?

15 COMMISSIONER DIGIACOMO COLINS: Right.

16 COMMISSIONER MARSHALL: Subject to fooling.

17 CHAIRMAN DECKER: Right. Another  
18 examination of the dates -- not the dates but the  
19 locations, and that may involve adding another day or  
20 two.

21 With that said, all of those in favor,  
22 please indicate by saying aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN DECKER: Any opposed?

25 Motion carries unanimously.

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1 Thank you, again. Thanks to Michael and  
2 Dale.

3 COMMISSIONER DIGIACOMO COLINS: Could I  
4 just add something regarding the scheduling of them?

5 CHAIRMAN DECKER: Please.

6 COMMISSIONER DIGIACOMO COLINS: Of course,  
7 I hope everyone understands, sometimes scheduling is  
8 subject to exterior forces, such as room

9 availability, the size of the room, and things of  
10 that nature.

11 So just remember that as we schedule these  
12 things, that it's not at our whim or a whimsey. Its  
13 availability is a significant factor.

14 CHAIRMAN DECKER: Thank you, Mary.

15 Next up is licensing. Susan Hensel will  
16 now give us the latest in the Bureau of Licensing and  
17 introduce a proposal to open a new application period  
18 for manufacturers of slot machines and associated  
19 equipment.

20 Thank you, Susan.

21 MS. HENSEL: Thank you, Chairman Decker and  
22 Good Morning, Commissioners. First, to update you on  
23 the status of the operator applications, as you know,  
24 we received 25 application submissions, 6 for  
25 Category 1, 17 for Category 2, and 2 for Category 3.

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1 This information came to the Bureau of  
2 Licensing in more than 600 boxes, a number of  
3 shipping tubes, and even one shopping bag.

4 CHAIRMAN DECKER: Did we get a picture of  
5 that?

6 MS. HENSEL: Yes, we did.

7 CHAIRMAN DECKER: Thank you.

8 MS. HENSEL: We have sorted through -- the

9 Bureau of Licensing has now sorted through that  
10 information. We've organized the information into  
11 four copies that we need in order to process the  
12 applications. We have completed intake on all of the  
13 submissions.

14 That intake process includes preparing  
15 letters, including acknowledgment letters, entering  
16 information into our database. We have now entered  
17 close to 700 names associated with these submissions  
18 into our database and reconciling the fees that were  
19 received along with the submissions.

20 We do anticipate releasing an updated  
21 release of operator -- of the names associated with  
22 the submissions. That list is currently posted on  
23 our website. We do anticipate updating that list in  
24 the next several days. That is something that will  
25 be done on an ongoing basis as more applications are

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1 received with respect to the submissions.

2 Our focus right now is on the Category 1  
3 applications, and that's where our focus will be  
4 remain in the immediate future.

5 In addition to my update on the operator  
6 applications, I wanted to talk with you about the  
7 requests we've been receiving from the manufacturer

8 community for the Board to, again, reopen  
9 manufacturer application acceptance in order to allow  
10 some applicants, who either missed the initial filing  
11 deadline or who have now decided that they would like  
12 to do business in Pennsylvania, an opportunity to  
13 submit an application.

14           It is my recommendation to the Board today  
15 that you consider a motion to, again, accept  
16 manufacturer applications for a limited period of  
17 time that would coincide with the acceptance of the  
18 supplier applications.

19           So my recommendation would be that we open  
20 the application period beginning tomorrow, January  
21 20th, running through February 28th, 2006 for  
22 manufacturer applicants.

23           Should the Board decide to pass that motion,  
24 I would like prospective applicants to understand  
25 that the application has changed significantly from

40

1 the application that was provided to manufacturers  
2 last summer.

3           Applicants should not submit the old  
4 application. They should be working off of the new  
5 application.

6           Should the Board pass this motion, that  
7 application would be made available on the Board's



8 website.

9 CHAIRMAN DECKER: Any questions for Susan  
10 about this?

11 Please.

12 COMMISSIONER MARSHALL: Susan, and the  
13 basis for this?

14 MS. HENSEL: There's been requests from the  
15 industry for us to again allow --

16 CHAIRMAN DECKER: The operating industry as  
17 well? The operators as well?

18 MS. HENSEL: The operating industry and the  
19 manufacturing community.

20 COMMISSIONER MARSHALL: Is there a  
21 rationale given?

22 MS. HENSEL: As I said, some said they just  
23 missed the initial deadline.

24 CHAIRMAN DECKER: Is there any prejudice to  
25 the others that filed by reason of our allowing this

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1 to open? This is not a competitive process.

2 MS. HENSEL: No. There is no limit on the  
3 number of manufacturer licenses that the Board can  
4 issue. So it's unlike the operator licenses where  
5 you do have a finite amount. The manufacturer  
6 applications and licenses are really open.

7                   COMMISSIONER MARSHALL: Well, except that  
8 if you choose to ignore -- if you choose to opt out  
9 of the game, that has an impact on all of those that  
10 opted in. That's competition.

11                   I mean, I have to tell you. I can't see  
12 your basis to set the precedent because then what is  
13 the argument to say, well, I would really like to be  
14 an operator and extend that. So if it's just because  
15 we didn't do it, I wouldn't be comfortable --

16                   MS. HENSEL: Well, I think there is also --  
17 there are also operators that would like to use  
18 particular pieces of equipment that may not currently  
19 be represented in the manufacturer community.

20                   I will say that other jurisdictions do not  
21 necessarily place time limits on the time that they  
22 accept applications, but it's certainly the  
23 prerogative --

24                   COMMISSIONER MARSHALL: But we did.

25                   MS. HENSEL: Yes.

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1                   COMMISSIONER MARSHALL: And I think we made  
2 a --

3                   CHAIRMAN DECKER: But we did it because we  
4 wanted to move on and license people, and we had to  
5 have a cutoff date somewhere.

6                   COMMISSIONER McCABE: Susan, do you see in

7 the future that we will just open this up that  
8 manufacturers can apply at any time?

9 MS. HENSEL: It would be my anticipation  
10 that when we get to a more steady state and the  
11 industry is up and running that we would mirror what  
12 other jurisdictions do, and they do tend to just have  
13 that application period be open.

14 COMMISSIONER DiGIACOMO COLINS: Susan, do  
15 you anticipate that as the gaming industry becomes  
16 established and things are up and running, that as  
17 new products come out or new companies form making  
18 new products, that the operators would want these new  
19 manufacturers to be licensed so they could obtain  
20 those products?

21 MS. HENSEL: Commissioner Colins, that's an  
22 excellent point.

23 COMMISSIONER MARSHALL: And a year from  
24 now, it is a different issue whether you want to  
25 respond.

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1 CHAIRMAN DECKER: I don't think the  
2 manufacturer knows. The supplier is meant to be a  
3 competitive process and anyone that wants it --

4 COMMISSIONER MARSHALL: But we said --

5 CHAIRMAN DECKER: Right.

6 COMMISSIONER MARSHALL: -- here is the  
7 deadline.

8 CHAIRMAN DECKER: What point in time do you  
9 open it up? Is it a year? Four years?

10 COMMISSIONER RIVERS: Susan, do you have  
11 any idea as to the number of new applications we're  
12 going to receive?

13 MS. HENSEL: I have heard from a handful of  
14 manufacturer applicants that are interested. I don't  
15 know if that represents all that are out there, but I  
16 have heard from a handful of potential applicants.

17 CHAIRMAN DECKER: The one thing we don't  
18 want to do is get diverted. We don't want you and  
19 David being diverted in handling these applications  
20 from your other stuff.

21 MS. HENSEL: Yes.

22 CHAIRMAN DECKER: If that's Chip's point, I  
23 agree 1,000 points.

24 COMMISSIONER MARSHALL: That's part of it.  
25 When we say something, I think we mean it. I would

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1 be open to throwing this out on the website for 30  
2 days, but I would not be persuaded by the basis that  
3 we changed our mind.

4 COMMISSIONER COY: Mr. Chairman?

5 CHAIRMAN DECKER: Please.

6                   COMMISSIONER COY: I understand your  
7 concerns, Commissioner Marshall, and certainly when  
8 the Board sets a deadline, there should be a reason  
9 or rationale. It seems to me that competition and  
10 the making way for more competition would only help  
11 operators to be able to choose from a wider variety  
12 of manufacturers.

13                   I guess I'm trying to -- other than sort of  
14 looking at it from the other point of view,  
15 Commissioner Marshall, I'm trying to find a rationale  
16 for why this hurts.

17                   COMMISSIONER MARSHALL: I don't think  
18 that's the standard if it doesn't hurt. If it didn't  
19 hurt, we shouldn't have put a deadline on. We should  
20 have said, we'll take applications for manufacturing  
21 licenses forever.

22                   COMMISSIONER COY: I'm sort of a free  
23 market person anyhow.

24                   COMMISSIONER MARSHALL: You know me, I go  
25 both ways. So it really doesn't matter.

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1                   COMMISSIONER DiGIACOMO COLINS: Maybe we  
2 could examine what were the reasons for our  
3 establishing a deadline on manufacturers and we've  
4 established one on suppliers.

5 CHAIRMAN DECKER: It's the 90 days, Mary.

6 COMMISSIONER DiGIACOMO COLINS: I know  
7 that. That's why --

8 CHAIRMAN DECKER: I'm sorry.

9 COMMISSIONER DiGIACOMO COLINS: I wanted to  
10 make that known that the reason is not to make a  
11 competitive situation but to start the time ticking.

12 CHAIRMAN DECKER: I just want you to know  
13 that I knew something.

14 SECRETARY FAJT: Mr. Chairman?

15 CHAIRMAN DECKER: Please.

16 SECRETARY FAJT: Susan, do you know, is  
17 this operator driven, this request for opening the  
18 period up, or is it manufacturer driven?

19 MS. HENSEL: It's both. We have had  
20 comments from both sides.

21 SECRETARY FAJT: Okay. Again, I don't have  
22 a vote in this. I kind of feel the way Chip does.  
23 When you put a deadline in, you know, it's not like  
24 gaming got up and running in Pennsylvania in three  
25 months. I mean, this thing has been out there.

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1 Anybody who wanted to play in the sandbox,  
2 if they didn't have notice, then shame on them. So  
3 now, you have this deadline that has passed and  
4 people coming, you know, again, if it's not operator

5 driven, the manufacturer is saying, I didn't know I  
6 needed a license. I didn't know I needed to be  
7 licensed. You know, I'm not persuaded by that  
8 argument.

9 COMMISSIONER DIGIACOMO COLINS: But can I  
10 just as an advocate for opening the period, time  
11 period. If there's no harm and no prejudice to the  
12 other applicants that we can put our fingers on, then  
13 why --

14 COMMISSIONER MARSHALL: But there is.

15 SECRETARY FAJT: But there is.

16 COMMISSIONER DIGIACOMO COLINS: I don't  
17 know that there is. Why not allow the operators to  
18 bring on other -- have other manufacturers come in  
19 with products that they might want to have a  
20 first-rate operation?

21 COMMISSIONER MARSHALL: How do you respond  
22 to the manufacturers that said I played by your rules  
23 and now you're changing them after the fact?

24 COMMISSIONER DIGIACOMO COLINS: But our  
25 rules are not that we only have one time period for

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1 manufacturer licenses.

2 CHAIRMAN DECKER: We did always contemplate  
3 another time period.

4 COMMISSIONER DiGIACOMO COLINS: It should  
5 be open and ongoing. Once we get these licenses  
6 issued, then that should be a --

7 CHAIRMAN DECKER: Can I make a suggestion?  
8 Why don't we open it up and ask the public for  
9 comments for the next two weeks? Do you want to not  
10 do that? Ask for comments about this either way and  
11 then we can reconsider that. We don't have to vote  
12 on that. It's not an official motion, but we  
13 certainly can do that.

14 COMMISSIONER RIVERS: Excuse me,  
15 Mr. Chairman?

16 CHAIRMAN DECKER: What do you want to vote?

17 COMMISSIONER RIVERS: What would be the  
18 basis of asking the public how they feel about this?

19 CHAIRMAN DECKER: Well, why don't we ask  
20 the manufacturer and operators?

21 COMMISSIONER MARSHALL: Maybe some guidance  
22 as why we ought to deviate. By the way, I'm not  
23 suggesting that I'm inclined to do it. I haven't  
24 heard a rationale. So I would vote no.

25 Now, if you don't want me to vote no, then

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1 I would be interested in -- this is the first I heard  
2 of it. So I need to --

3 COMMISSIONER DiGIACOMO COLINS: Perhaps,



4 Susan, do you have more tangible information that you  
5 can provide to us today?

6 MS. HENSEL: Other than interest requests  
7 from the industry and from operators, that is the  
8 case.

9 COMMISSIONER DIGIACOMO COLINS: What is the  
10 basis for their request?

11 MS. HENSEL: There are some operators that  
12 would like to use particular pieces of equipment that  
13 are not currently represented in our manufacturer  
14 pool. There are some manufacturers who would like an  
15 opportunity to do business in Pennsylvania.

16 CHAIRMAN DECKER: Let's do this. Let's  
17 postpone to the next meeting. Can you please  
18 circulate the letters from the manufacturers and  
19 operators to the Board Members? Okay? That will be  
20 a start.

21 If anyone else wants to write a letter  
22 either way on this in the next two weeks, we would be  
23 happy to read it.

24 MS. HENSEL: That's what I did. Okay.

25 CHAIRMAN DECKER: It wouldn't have to be

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1 official public comment, but if you want -- send a  
2 letter, send it to Anne. She's lonely since she's

3 moved here from New Orleans and she likes to get  
4 letters. Send it to Anne or Susan. We'll be happy  
5 to read it and circulate it and revisit this issue  
6 either in two weeks or four weeks. Okay?

7 MS. HENSEL: Okay.

8 CHAIRMAN DECKER: And during that time  
9 period, nothing is going to be sold anyway as I  
10 understand. So I don't think we're prejudicing  
11 anyone. Okay?

12 Thank you.

13 MS. HENSEL: Thank you.

14 CHAIRMAN DECKER: Is that okay with the  
15 Board Members?

16 COMMISSIONER DiGIACOMO COLINS: Yes.

17 CHAIRMAN DECKER: Thank you very much. We  
18 appreciate it, Susan. Anything else? I didn't mean  
19 to cut you off.

20 MS. HENSEL: No, that concludes my update.

21 CHAIRMAN DECKER: Thank you.

22 David, are you making a report today? Is  
23 there any report from you today?

24 MR. KWAIT: If you want me to --

25 CHAIRMAN DECKER: Would you just come up

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1 and say a few words. I'm sorry. I know you're not  
2 prepared to do this. I would like to see you talk to

3 us a little bit about where we are in the  
4 manufacturer applications. I know they were turned  
5 over to you, and I know you're moving forward with  
6 them now.

7 COMMISSIONER McCABE: David, you might want  
8 to talk about the training in the next two weeks and  
9 the areas of instruction.

10 CHAIRMAN DECKER: Again, everyone should  
11 understand, David is not -- we didn't ask David to do  
12 this. He's doing it off the cuff. So I appreciate  
13 this, David.

14 MR. KWAIT: Thank you, Mr. Chairman. On  
15 the first issue, the manufacturing applications, we  
16 have, of course, outsourced those to two companies --

17 CHAIRMAN DECKER: But also the State  
18 Police.

19 MR. KWAIT: And the State Police, yeah. We  
20 are in the process of referring all of the criminal  
21 record checks to the State Police and then due  
22 diligence, and the suitability part of it is  
23 outsourced to MBDi from Virginia and OMNIPLEX from  
24 Virginia.

25 We've been in constant contact. We think

1 we're in a very positive position to say that we

2 should be able to, using the alternative standards,  
3 submit a report to Susan and ultimately to the Board  
4 sometime in mid-February.

5 Commissioner McCabe, we are going to begin  
6 a period of training for two weeks for the entire BIE  
7 staff. The State Police have assured me they're  
8 going to have 15 troopers present through most of it  
9 beginning Monday at the Holiday Inn East.

10 We have a very dynamic schedule. I think I  
11 have shared it with most of the members of the Board  
12 to include suitability background investigation  
13 protocols, ethics, organized crime issues.

14 So we represented, I think, all of the  
15 disciplines that BIE folks are going to need in the  
16 future to do their jobs effectively.

17 CHAIRMAN DECKER: I look forward to hearing  
18 about the training.

19 Any questions from any of the members for  
20 David?

21 Thank you very much, David.

22 MR. KWAIT: Thank you.

23 CHAIRMAN DECKER: Good luck in getting all  
24 of this done and that includes -- specifically that  
25 outsourcing includes that financial review, the

1 financial suitability and structure review.

2 MR. KWAIT: Yes.

3 COMMISSIONER RIVERS: And the length of  
4 your training program?

5 MR. KWAIT: I'm sorry?

6 COMMISSIONER RIVERS: The length of the  
7 training program next week?

8 MR. KWAIT: You mean the -- two weeks.

9 COMMISSIONER RIVERS: Two weeks.

10 CHAIRMAN DECKER: Okay. Thank you, David.

11 Moving on to regulations, and as we usually  
12 do at the meeting, we're going to ask Commissioner  
13 Colins to update us and take us through the items on  
14 today's agenda with respect to the regulations.

15 COMMISSIONER DIGIACOMO COLINS: Nan Horner  
16 is going to go through the management company public  
17 comment responses and the management company  
18 regulations.

19 CHAIRMAN DECKER: Thank you.

20 Welcome, Nan.

21 MS. HORNER: Hello. Let's's see. Today, I  
22 would like to discuss the responses to the public  
23 comments on management companies and the regulations.

24 I would like to offer the public comments  
25 to be published on our website and recommend that the

1 Board adopt the temporary regulations relating to the  
2 management companies.

3           The Board received public comments from  
4 three interested parties. The Board thoroughly  
5 reviewed and considered all comments submitted and  
6 has amended some language to provide further clarity  
7 concerning some of the regulations.

8           We have amended the definition of a  
9 collateral agreement to clarify that only those  
10 agreements between the management company or its  
11 affiliates and the slot machine licensee or its  
12 affiliates will be considered as part of a management  
13 contract. Unrelated third-party contracts will not  
14 be considered to be a collateral agreement.

15           We have declined to amend the definitions  
16 of a management company and management contract to  
17 include the management of only those portions of a  
18 licensed facility in which gaming operations take  
19 place.

20           The Board has the authority over the  
21 licensed facility, not simply those areas in which  
22 gaming operations take place.

23           Similarly, we have declined to allow a  
24 management company the ability to submit its  
25 application directly to the Board.

1                   As with any vendor, a management's company  
2 application for licensure will only be accepted for  
3 consideration when it is submitted by a slot machine  
4 licensee or applicant that has contracted with the  
5 management company.

6                   One comment requested a list of specific  
7 duties or obligations that a slot machine licensee  
8 may not assign to a management company.

9                   However, because the Board will be  
10 reviewing the delegation of duties, benefits, and  
11 obligations as a whole, listing a specific item that  
12 may not be delegated may allow the circumvention of  
13 the spirit or the intent of the act.

14                   The remainder of the comments verbalize  
15 concerns over the imposition of joint and several  
16 liability. Pennsylvania Agency Law and the Board's  
17 requirement that each party to a management contract  
18 be vigilant concerning the actions of the other party  
19 have caused us to decline to make changes to the  
20 regulations.

21                   I respectfully request that the Board  
22 publish the responses to the public comment and adopt  
23 the temporary management company regulations.

24                   COMMISSIONER DiGIACOMO COLINS: So moved.

25                   COMMISSIONER MARSHALL: Second.

1                   CHAIRMAN DECKER: Are there any other  
2 questions for Nan on that topic?

3                   All of those in favor, please indicate by  
4 saying aye.

5                   COMMISSIONERS: Aye.

6                   CHAIRMAN DECKER: Any opposed?

7                   Motion carries.

8                   Nan, you have one more.

9                   COMMISSIONER DIGIACOMO COLINS: Well,  
10 there's a resolution that goes with this.

11                  CHAIRMAN DECKER: Adopting the management  
12 regs? Maybe you already covered that. You did cover  
13 that. Didn't you say that --

14                  MS. HORNER: I requested that they be  
15 published and you adopt the temporary regulations.

16                  CHAIRMAN DECKER: I think you covered that,  
17 Mary.

18                  COMMISSIONER DIGIACOMO COLINS: And now,  
19 once we adopt regulations, then we issue a  
20 resolution. Never mind if you don't want to.

21                  CHAIRMAN DECKER: Go ahead.

22                  COMMISSIONER DIGIACOMO COLINS: I have to  
23 read the resolution into the record.

24                  CHAIRMAN DECKER: Is this the third piece,  
25 Mary, for today or is there another one as well?



1                   COMMISSIONER DIGIACOMO COLINS: After this,  
2 there are a few definitions that we --

3                   CHAIRMAN DECKER: I'm not pushing. I lost  
4 my place here. Thank you.

5                   COMMISSIONER DIGIACOMO COLINS: This  
6 resolution is as follows: Whereas on July 5th, 2004,  
7 the Pennsylvania General Assembly enacted the  
8 Pennsylvania Racehorse Development and Gaming Act,  
9 establishing the Pennsylvania Gaming Control Board as  
10 the primary regulatory agency charged with the  
11 responsibility of implementing and overseeing slot  
12 machine gaming in the Commonwealth.

13                   And whereas, the Act recognizes the Board  
14 to adopt temporary regulations in order to facilitate  
15 the prompt implementation of the Act during the two  
16 years following the Act's effective date.

17                   And whereas, the Board has developed draft  
18 temporary regulations governing the licensing of  
19 management companies.

20                   Whereas, the Board has had an opportunity  
21 to comment on the draft temporary regulations, and  
22 the Board has incorporated appropriate public  
23 comments into the regulations.

24                   And whereas, the Board's final temporary  
25 regulations are designated as Title 58, recreation,

1 Part 7, Gaming Control Board, Subpart B, licensing,  
2 registering, certifying, and permitting specifically  
3 Chapter 440, management companies.

4           Whereas, the Board reserves the right to  
5 amend the temporary regulations as it deems necessary  
6 in accordance with the purpose of the Act and in  
7 order to further the intent of the Act.

8           Be it resolved that the Board adopts the  
9 draft regulations as its temporary regulations for  
10 the general licensing requirements for management  
11 companies.

12           That being the resolution, I suppose we  
13 have to vote on that resolution.

14           CHAIRMAN DECKER: That's a motion, isn't  
15 it, Mary?

16           COMMISSIONER DiGIACOMO COLINS: Yes.

17           COMMISSIONER MARSHALL: Second.

18           CHAIRMAN DECKER: Any comments or questions  
19 for Mary or Nan on the subject?

20           Hearing none, all those in favor, please  
21 indicate by saying aye.

22           COMMISSIONERS: Aye.

23           CHAIRMAN DECKER: Any opposed?

24           Motion carries.

25           Mary, you have one other item?

1                   COMMISSIONER DiGIACOMO COLINS: We do. We  
2 have the next item are amendments to existing  
3 regulations and the first -- the first amendment  
4 deals with incomplete applications. Nan has worked  
5 on that and will update us on that, and then Maureen  
6 has dealt with the second issue, Maureen Williamson,  
7 which is the letter of credit and payment bond  
8 regulations, which have been tightened up and  
9 amended.

10                   She will propose that to us. Then the  
11 final issue is a definition of stock, which we have  
12 worked on. I will make a -- describe that definition  
13 that we are proposing to incorporate into the regs.

14                   So you can proceed now.

15                   MS. HORNER: Okay. As Judge Colins said,  
16 I'm presenting to you for your consideration a  
17 proposed amendment to the regulations adopted by the  
18 Board on June 16th, 2005.

19                   In the resolution to adopt the regulations,  
20 the Board reserved the right to make amendments to  
21 the regulations as it deems necessary in accordance  
22 with the purpose and in order to further the intent  
23 of Act 71.

24                   As we move forward in the regulatory  
25 process, we're continually reviewing the existing

1 regulations.

2           Based upon the suggestion from the Bureau  
3 of Licensing, Board Members and the Board staff's  
4 review of the regulations, we're offering today an  
5 editorial change and amended language to one  
6 regulation.

7           Specifically, the changes are to Section  
8 423.4, which concerns incomplete applications. This  
9 section provides that the Board will not consider an  
10 application that is incomplete.

11           It sets forth that the failure to include  
12 any of three listed items may cause an application to  
13 be deemed incomplete. The three listed items are  
14 applicable fees, required information, and required  
15 documentation.

16           An applicant who submitted an application  
17 that is deemed incomplete will be given a period in  
18 which to cure the failure; and depending upon the  
19 nature of the failure, the application shall or may  
20 result in immediate denial.

21           The proposed amendment will clarify that  
22 the refusal to provide applicable fees and  
23 information and accompanying documentation may result  
24 in an immediate denial; and that the failure to  
25 provide documentation at the time of application

1 evidencing the applicant's ability to pay the slot  
2 machine license fee shall result in an immediate  
3 denial.

4           An immediate denial is a denial of an  
5 application, and it would not occur prior to giving  
6 the applicant the opportunity to cure.

7           CHAIRMAN DECKER: Any questions?

8           COMMISSIONER MARSHALL: So moved.

9           CHAIRMAN DECKER: Second?

10          COMMISSIONER RIVERS: Second.

11          CHAIRMAN DECKER: Any questions or comments  
12 for either Nan or for Mary on this issue?

13          Hearing none, all of those in favor, please  
14 indicate by saying aye.

15          COMMISSIONERS: Aye.

16          CHAIRMAN DECKER: Any opposed?

17          Motion carries.

18          Thank you, Nan.

19          MS. HORNER: Thank you.

20          CHAIRMAN DECKER: Thank you, Mary.

21          After this meeting, the Board will be  
22 holding an Executive Session to discuss personnel  
23 matters. No business will be conducted at the  
24 meeting. The Board will not return to public session  
25 today.

1                   Before we adjourn, was there any other  
2 either old business or new business that the Board  
3 Members want to bring up? Oh, I'm sorry.

4                   MS. WILLIAMSON: I apologize. I thought  
5 you were just --

6                   CHAIRMAN DECKER: I apologize.

7                   MS. WILLIAMSON: Not a problem.

8                   CHAIRMAN DECKER: I apologize. I don't  
9 have that. Unfortunately, I didn't have that on my  
10 agenda. Please. One second. We have a question  
11 from Bill Conaboy.

12                   COMMISSIONER CONABOY: Just before Maureen  
13 starts because you may be able to answer this  
14 question. I was going to ask Susan but probably  
15 either of you can.

16                   Going back to the reopening the  
17 manufacturers application period, are you aware if  
18 they would be aware right now of any objection by any  
19 other manufacturers to us reopening the application  
20 period?

21                   MS. WILLIAMSON: Obviously, I haven't seen  
22 all of the documentation that Susan has and various  
23 bits of correspondence, but I am aware of some  
24 products that are integral elements of a gaming  
25 operation that may not be available from this set of

1 manufacturers that we have in play right now.

2           Richard Williamson and the technical staff  
3 might be able to speak more explicitly on this; but  
4 from my perspective, there's a concern as to one or  
5 two pieces of equipment that may not be in our set of  
6 available sources right now.

7           COMMISSIONER CONABOY: Right. We have  
8 operator applicants, as well as the manufacturers  
9 reaching out to us to say that if I'm granted a  
10 license, I need to have these -- I want their type of  
11 machines in my facility.

12           MS. WILLIAMSON: Right. I think as is the  
13 case with any statute or regulation, there may have  
14 been some misunderstanding at the outset as to how  
15 the licensing would be conducted.

16           So there may have been a situation where  
17 companies -- that potential operators didn't  
18 immediately identify, they just presumed, you know,  
19 they could go out and buy a particular controller  
20 unit or a particular piece of software.

21           It may be just coming into evidence that  
22 these products may not be immediately available to  
23 them. This is something we can develop --

24           COMMISSIONER CONABOY: We're making the

25 point the same way. My point is, if I'm an operator

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1 and I'm licensed and I want to use Machine X or those  
2 components or software, it really doesn't make any  
3 difference that I'm not in anyway prejudicing Machine  
4 Y or Software Y because that's not the product I want  
5 to buy.

6 MS. WILLIAMSON: Not specifically, because  
7 I think in a lot of these cases there are very  
8 specific, limited sources for one particular type of  
9 product that goes in a continuum with whatever  
10 choices you've made on your voucher system.

11 COMMISSIONER CONABOY: So this may be why  
12 other -- I don't know if I'm right with this, but  
13 every other or most jurisdictions leave this  
14 particular application period as just an open,  
15 ongoing process.

16 MS. WILLIAMSON: To my knowledge, but again  
17 --

18 COMMISSIONER CONABOY: Because new products  
19 come out all of the time.

20 MS. WILLIAMSON: Right. That's an  
21 important consideration. That's something I have  
22 been speaking to certainly with the regs, that we  
23 want to make sure that the latest and the best is  
24 available.



25

CHAIRMAN DECKER: We're going to get some

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1 comment on this over the next two weeks, and we're  
2 certainly going to visit this again.

3 Maureen, thank you.

4 MS. WILLIAMSON: Again, good morning.

5 Before you for consideration this morning are certain  
6 technical amendments with regard to letters of credit  
7 and payment bonds.

8 Specifically, Section 441.10 and 441.11 of  
9 our regulations, both of which were adopted back in  
10 July, outline the terms applicable to these payment  
11 guaranteeing instruments.

12 With regard to 441.10, which is a letter of  
13 credit or the payment bond that is used to evidence  
14 the ability to pay the license fee, we would like via  
15 this proposal to really enhance the language to make  
16 it explicit that the letter of credit or payment bond  
17 must be in place during the time pendency of the  
18 application in order to evidence the ability to pay  
19 the license fee, and that any type of gap in this  
20 coverage may result in denial of the application.

21 Now, that said, the other elements of the  
22 proposal largely go to the issue of making our  
23 regulations such that letters of credit and payment

24 bonds are available under very reasonable,  
25 commercially available terms to our applicants.

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1           Specifically, what we're proposing is that  
2 the reg be amended to very explicitly state that  
3 multiple letters of credit or multiple payment bonds  
4 may be in place as long as they aggregate to the  
5 license fee.

6           This will ensure that potential applicants  
7 have an opportunity to really obtain the best  
8 arrangements with regard to their collateral sources.

9           Secondly, with regard to payment bonds,  
10 we've become aware that the requirement that we had  
11 regarding a surety company being guaranteed by  
12 another surety company was something that wasn't  
13 necessarily standard commercial practice and may be  
14 unnecessarily enhancing the cost of the payment bond  
15 in view of the fact that we have two other protective  
16 provisions in our regulations, one which requires the  
17 surety company to be licensed by the Commonwealth's  
18 Department of Insurance and that they have a credit  
19 rating within the top three levels.

20           So in view of that criteria, we felt that  
21 the elimination of that guarantor provision was  
22 appropriate.

23           Perhaps most notably, the regulation

24 proposal looks for the reg to acknowledge commercial  
25 practice that letters of credit and payment bonds

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1 normally include expiry terms and that they are  
2 normally, automatically renewed subject to Evergreen  
3 Clauses.

4           While we are not at all making any  
5 revisions with regard to the draw instructions, which  
6 would basically allow the Commonwealth to draw on a  
7 letter of credit or a payment bond in the event a  
8 license was issued to a -- a slot machine license was  
9 issued and five days have elapsed.

10           We're looking to have a regulation not be  
11 limited to those very uncertain and non-specific  
12 duration clauses. So we're incorporating the concept  
13 of an expiry clause that would have a duration of at  
14 least 12 months.

15           We're looking for an automatic renewal of  
16 at least 3 months and 60 days notice to the Board in  
17 the event a decision by an issuer not to renew and in  
18 view of the overlay to all of this, that there must  
19 be coverage in place evidencing the ability to pay  
20 the licensed fee. We're allowing for timely  
21 substitution or replacement of the bond or letter of  
22 credit.

23                   CHAIRMAN DECKER:  Maureen, when are the  
24 fees actually due and payable?

25                   MS. WILLIAMSON:  The license fee is due at

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1   the time of issuance of the license pursuant to 1209.

2                   CHAIRMAN DECKER:  In the operators -- it's  
3 due when we issue the license, not when they're up  
4 and running, of course?

5                   MS. WILLIAMSON:  Right, when the license is  
6 issued.

7                   CHAIRMAN DECKER:  So can you go over that  
8 one more time, how the payment of the fees versus --

9                   MS. WILLIAMSON:  Well, what is happening is  
10 that the bond or the letter of credit must be in  
11 place during the entire time that the license is  
12 under consideration.

13                   The expectation, I think, in most cases is  
14 that the license fee will actually be paid with  
15 alternative funds, but in the event that a license --

16                   CHAIRMAN DECKER:  What are alternative  
17 funds?

18                   MS. WILLIAMSON:  An operator wouldn't use  
19 the letter of credit.  They would tender the fee to  
20 the Board.

21                   CHAIRMAN DECKER:  Pay cash?

22                   MS. WILLIAMSON:  We'll gladly accept cash.

23 We'll have the internal --

24 CHAIRMAN DECKER: Or certified cash, let's  
25 put it that way. Real money.

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1 MS. WILLIAMSON: We'll have the internal  
2 controls to secure both. In the event that the  
3 license was, in fact, issued and five business days  
4 had elapsed and the fee had not been paid, then the  
5 Commonwealth would be poised to draw on these type of  
6 instruments.

7 COMMISSIONER COY: Mr. Chairman?

8 CHAIRMAN DECKER: Please.

9 COMMISSIONER COY: I commend you, Maureen,  
10 especially on the 12-month renewability. I think  
11 that's a good practice to adopt here.

12 One question, with regard to our licensing  
13 procedure or any part of that attendant to it with  
14 regard to the letters of credit, do we conform or  
15 verify the financial solvency of the institution  
16 rendering the letter of credit?

17 MS. WILLIAMSON: Yes. Under our  
18 regulations, we have full authority to actually  
19 review the institution. We're looking for either a  
20 Moody's or Standard and Poor's credit rating in the  
21 top three highest levels as evidence of that, but we

22 certainly have a variety of sources to do that  
23 analysis.

24 We're looking at, you know, the suitability  
25 of the institution that is issuing it. Same with the

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1 surety companies. They have to demonstrate that they  
2 are properly licensed and in good standing with the  
3 Insurance Department, and they also have credit  
4 rating responsibilities.

5 COMMISSIONER COY: Those that are licensed  
6 by the Department of Banking, we might well require a  
7 verification of their recent examination?

8 MS. WILLIAMSON: If there were any  
9 question, again, but I think that the tip-off to that  
10 would normally be in Moody's or Standard and Poor's  
11 credit rating. If that were the case, we would go  
12 from there.

13 COMMISSIONER COY: Mr. Chairman, I think  
14 we've had this discussion; but we may indeed need to  
15 think in terms of someone in personnel in our group  
16 that may be indeed a banking expert, if you will, to  
17 make sure we're asking the right questions. We may  
18 have some here already, but I think it doesn't hurt  
19 to be well prepared in that regard.

20 MS. WILLIAMSON: Absolutely.

21 CHAIRMAN DECKER: Any other --

22 MS. WILLIAMSON: No.  
23 CHAIRMAN DECKER: Did we interrupt you?  
24 MS. WILLIAMSON: No.  
25 COMMISSIONER CONABOY: One question. The

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1 surety, the question on the guarantee and the surety

2 --

3 MS. WILLIAMSON: Right.

4 COMMISSIONER CONABOY: -- was that an  
5 issue that was brought by the surety market or our  
6 applicants?

7 MS. WILLIAMSON: As with any new  
8 regulation, this regulation was adopted back in July  
9 but, of course, not tested or utilized until right  
10 before the December 28th deadline and in the weeks  
11 leading up to that as potential applicants who are  
12 dealing with their surety companies or with their  
13 bankers. Interpretive questions arose.

14 So we really talked to a variety of  
15 sources, did reach out to the Banking Commission and  
16 did reach out to the Controller of the Currency and  
17 did talk to several attorneys that have some  
18 expertise in this area, and really determined that  
19 the type of revisions that we're proposing would  
20 allow more commercially reasonable terms and give us

21 the same level of the protection that the Statute  
22 intended.

23 COMMISSIONER DiGIACOMO COLINS: I have a  
24 question. Will you please let me know when the  
25 applicant comes in who is going to pay in cash so I

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1 can be there that day?

2 MS. WILLIAMSON: I'll make sure all of the  
3 money is faced and properly taken care of.

4 CHAIRMAN DECKER: Will it be in a shopping  
5 bag?

6 MS. WILLIAMSON: Last time I saw that much  
7 money, I think we need a little bigger shopping bag.

8 CHAIRMAN DECKER: Any other questions for  
9 Maureen?

10 Maureen, thank you very much. That's a  
11 very good report. Do you we need to act on anything  
12 today?

13 MS. WILLIAMSON: Yes.

14 COMMISSIONER DiGIACOMO COLINS: We need to  
15 vote on the amendments to the bond or letter of  
16 credit regulations.

17 CHAIRMAN DECKER: Mary, is that a motion?

18 COMMISSIONER DiGIACOMO COLINS: That is a  
19 motion.

20 CHAIRMAN DECKER: Do I have a second?



21 COMMISSIONER McCABE: Second.

22 CHAIRMAN DECKER: Any others questions for  
23 Maureen or Mary on the subject?

24 Hearing none, all of those in favor, please  
25 indicate by saying aye.

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1 COMMISSIONERS: Aye.

2 CHAIRMAN DECKER: Any opposed?

3 Motion carries unanimously.

4 Maureen, thanks again.

5 MS. WILLIAMSON: Thank you.

6 CHAIRMAN DECKER: Is there anyone else on  
7 this list?

8 COMMISSIONER DiGIACOMO COLINS: There is  
9 one final thing, one final thing, which is the  
10 definition of stock. I'm going to read a  
11 presentation on that and then offer a resolution,  
12 which we'll have to adopt on all of these changes.

13 Section 1512 of the Gaming Act prohibits  
14 public officials and their immediate family members  
15 from having a financial interest in or being employed  
16 by a licensed gaming entity or any affiliates  
17 thereof.

18 A financial interest includes securities  
19 that exceed 1 percent of the equity or the fair

20 market value of the licensed gaming entity or any  
21 affiliates thereof.

22           A financial interest does not include --  
23 and this is a quote from the Statute -- any such  
24 stock that is held in a blind trust over which the  
25 public official may exercise any managerial control

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1 or receive income, end quote.

2           Although not defined in the Gaming Act, a  
3 blind trust is a trust in which the beneficiary does  
4 not have knowledge of the trust specific assets and  
5 in which a fiduciary third party has complete  
6 management discretion.

7           The purpose of the blind trust is to  
8 preserve the actual ignorance of the beneficiary with  
9 respect to the contents of the blind trust.

10           The definition of stock, which I'm offering  
11 to the Board to adopt today, includes only those  
12 securities that are listed or authorized for listing  
13 on a prominent national exchange or are exempt from  
14 state regulation pursuant to Section 18(b)(1)(b) of  
15 the National Securities Act of 1933.

16           This definition serves to protect the  
17 spirit and intent of the legislation by clarifying  
18 the type of instrument that may be held in a blind  
19 trust, while enhancing the essence and integrity of

20 this blind trust exemption.

21           The Gaming Act contains no restrictions on  
22 the type business entities that may apply for a slot  
23 machine license from the Board.

24           The Board will license limited  
25 partnerships, limited liability corporations, and

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1 publicly traded corporations.

2           Equity interest in an LP or LLC generally  
3 have no readily available market in which the  
4 interest may be sold and often have resale  
5 restrictions imposed by contract or law.

6           The fiduciary third party of the blind  
7 trust, therefore, will not be able to fully exercise  
8 his management discretion as to that type of  
9 security.

10           Equity interest in an entity that is traded  
11 on an exchange, however, would allow the fiduciary  
12 third party the theoretic ability to liquidate those  
13 securities and purchase other securities, thus making  
14 the trust blind with respect to the beneficiary.

15           Additionally, the definition of stock will  
16 remove the potential of a public official having the  
17 ability to perhaps directly or substantially impact  
18 the value of his or her financial interest in a

19 licensed gaming entity in the Commonwealth that is  
20 placed in a blind trust.

21               So I am offering this definition of stock  
22 to the Board for adoption and inclusion in the  
23 definition portions of the regulations.

24               CHAIRMAN DECKER: Mary, is this limited to  
25 a blind trust or what about mutual funds or what

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1 about, you know, pension, investment pension funds?

2               COMMISSIONER DiGIACOMO COLINS: What do you  
3 mean? I don't quite understand.

4               CHAIRMAN DECKER: Well, mutual funds are --  
5 are mutual funds accepted? I can't remember.

6               COMMISSIONER DiGIACOMO COLINS: Mutual  
7 funds are already exempted. Ownership in mutual  
8 funds by regulation are exempted. This is purely  
9 stock --

10              CHAIRMAN DECKER: This is stock in a blind  
11 trust. You're defining this to say it's limited to  
12 public company stock, not privately held --

13              COMMISSIONER DiGIACOMO COLINS: Exactly,  
14 because if the trust is to be blind, it has to have a  
15 -- it has to have a corpus that essentially can be  
16 transacted and exchanged and sold or bought; and if  
17 it's not publicly traded stock, then basically it's  
18 not a blind trust. That's the summation of it.

19                   CHAIRMAN DECKER:  Have we put this out for  
20 public comment?

21                   COMMISSIONER DiGIACOMO COLINS:  No.  This  
22 is an amendment to the definitions that we're making  
23 today, which I'm offering today.

24                   MS. WILLIAMSON:  If I may interject with  
25 regard to this and several of the other items that

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1 we've handled today, there's the retroactivity  
2 provision I would just like to make sure was in the  
3 resolution.

4                   COMMISSIONER DiGIACOMO COLINS:  The  
5 resolution will indicate that.  Once we vote on the  
6 motion, the resolution will indicate that.

7                   CHAIRMAN DECKER:  Any comments?

8                   TREASURER CASEY:  I got one for the Judge.  
9 I don't have a vote on this, by the way; but just by  
10 way of clarification, this definition, would it be an  
11 amplification or a different explanation of the  
12 definition that is already in the Statute?

13                   COMMISSIONER DiGIACOMO COLINS:  It would be  
14 a clarification.  The Statute specifically says that  
15 a public official may not have an interest which  
16 exceeds 1 percent unless -- unless -- but excludes  
17 from the definition of financial interest stock held

18 in the public -- in a blind trust.

19                   So to make that meaningful, to make the  
20 blind trust a blind trust, stock must be something --  
21 the trust cannot just hold an asset and keep it so  
22 that when the public official leaves office that  
23 asset is there.

24                   It has to be something that the trustee can  
25 exercise control over by buying or selling. That's

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1 why we defined stock really in the traditional sense  
2 of the interest in a publicly held company. It's a  
3 clarification that truly gives meaning to the term  
4 blind trust.

5                   TREASURER CASEY: Thank you.

6                   COMMISSIONER DiGIACOMO COLINS: And I  
7 believe also enhances -- and enhances the purpose of  
8 the Statute.

9                   COMMISSIONER COY: Mr. Chairman, let me see  
10 if I understand because I'm not sure I do.

11                   COMMISSIONER DiGIACOMO COLINS: Okay.

12                   COMMISSIONER COY: So this would allow a  
13 public official to continue to own publicly traded  
14 stock as long as it's in a blind trust?

15                   COMMISSIONER DiGIACOMO COLINS: That's  
16 correct.

17                   CHAIRMAN DECKER: Because under those

18 circumstances, the trustee of the trust could --

19 COMMISSIONER DiGIACOMO COLINS: Has  
20 control.

21 CHAIRMAN DECKER: -- sell or keep it. It  
22 would be a clear optional decision over which the  
23 public official would have no control. Mary's point  
24 is putting it in a blind trust doesn't mean anything  
25 because it's not salable.

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1 COMMISSIONER DiGIACOMO COLINS: Right.

2 Exactly. So --

3 CHAIRMAN DECKER: Do we have any questions  
4 or comments on this?

5 COMMISSIONER DiGIACOMO COLINS: I would  
6 offer it for a vote.

7 COMMISSIONER MARSHALL: Second.

8 CHAIRMAN DECKER: Again, any questions or  
9 comments of Mary?

10 COMMISSIONER COY: Mr. Chairman?

11 CHAIRMAN DECKER: Please.

12 COMMISSIONER COY: I guess I'm not yet  
13 comfortable. So I either would like to see this hold  
14 to the next meeting or table it for action until the  
15 next meeting if we could.

16 CHAIRMAN DECKER: Mary, is that okay?

17 COMMISSIONER DiGIACOMO COLINS: Absolutely.  
18 Absolutely.

19 CHAIRMAN DECKER: I think that's a good  
20 idea.

21 COMMISSIONER DiGIACOMO COLINS: That's why  
22 I presented this to everyone last week. I know it's  
23 a very serious matter and absolutely the more  
24 deliberations the better.

25 COMMISSIONER COY: If I missed it, I

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1 apologize.

2 COMMISSIONER DiGIACOMO COLINS: Jeff, the  
3 more deliberations, the better. I believe that.

4 CHAIRMAN DECKER: If there are any  
5 comments, again, from anyone, we'll take letters.  
6 Anne is very lonely and she would like to have the  
7 letters, any comments on this.

8 COMMISSIONER DiGIACOMO COLINS:  
9 Nonetheless, could we pass this resolution without  
10 that because the resolution deals with the two  
11 amendments we have already accepted?

12 CHAIRMAN DECKER: Which one?

13 COMMISSIONER DiGIACOMO COLINS: Well, we  
14 have a resolution that has to do with incomplete  
15 applications and the letters of credit. We need  
16 that.



17                   CHAIRMAN DECKER: The resolution itself?  
18 Fine. I thought we did that already. I apologize.  
19 I thought that was already incorporated but if we  
20 didn't --

21                   COMMISSIONER DIGIACOMO COLINS: We did not.  
22 We did not do a resolution on that.

23                   CHAIRMAN DECKER: Do you want to read it,  
24 Mary, or do we just -- do we know what it is  
25 already? It's the stuff you handed out.

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1                   COMMISSIONER DIGIACOMO COLINS: Did we do  
2 that already?

3                   CHAIRMAN DECKER: I thought we did.

4                   COMMISSIONER McCABE: I would like to hear  
5 it again just so I'm not confused.

6                   COMMISSIONER DIGIACOMO COLINS: I stand  
7 corrected. I'm sorry.

8                   CHAIRMAN DECKER: We already voted -- it  
9 was the -- again, we voted on this. It was the  
10 management companies.

11                   COMMISSIONER MARSHALL: You need to read  
12 the resolution into the record.

13                   CHAIRMAN DECKER: Okay. I don't think we  
14 usually do that with each regulation. We don't read  
15 it. It's already been published.

16 COMMISSIONER DiGIACOMO COLINS: We read a  
17 resolution regarding management companies. What I  
18 want to get into the record now is a resolution  
19 adopting the amendments exclusive of the definition  
20 of stock.

21 CHAIRMAN DECKER: I understand. Fine.

22 COMMISSIONER DiGIACOMO COLINS: And so this  
23 resolution essentially is the first resolution I  
24 previously read is incorporated herein with the  
25 following amendment, which is that whereas the Board

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1 has determined to make editorial changes to the  
2 following temporary regulations:

3 Subpart B, licensing, registering,  
4 certifying, and permitting specifically 423.4,  
5 incomplete applications; and Subpart C, slot machine  
6 licensing, specifically Sections 441.10, license fee  
7 payment bond or letter of credit requirements,  
8 Section 441.11, slot machine license issuance bond  
9 requirement, and Section 441.12, public input.

10 Whereas upon adoption, these amendments to  
11 the temporary regulations are effective on January  
12 19th, 2006, but retroactively will apply to July  
13 21st, 2005.

14 Be it resolved that the Board adopts these  
15 amendments to the regulations. I just want to put

16 that in the record. Thank you.

17 CHAIRMAN DECKER: Thank you. There's a  
18 motion.

19 So can I have a second?

20 COMMISSIONER CONABOY: Second.

21 COMMISSIONER DIGIACOMO COLINS: Tad?

22 CHAIRMAN DECKER: Yes, Mary.

23 COMMISSIONER DIGIACOMO COLINS: There's one  
24 further thing.

25 CHAIRMAN DECKER: Okay.

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1 COMMISSIONER DIGIACOMO COLINS: This is a  
2 statement regarding --

3 CHAIRMAN DECKER: We did not vote on that  
4 --

5 COMMISSIONER DIGIACOMO COLINS: I'm sorry.  
6 So sorry. Okay.

7 COMMISSIONER MARSHALL: Aye.

8 CHAIRMAN DECKER: Any questions or  
9 comments?

10 Not hearing any, all of those in favor of  
11 the proposed regulations that Mary just read, please  
12 indicate by saying aye.

13 COMMISSIONERS: Aye.

14 CHAIRMAN DECKER: Any opposed?

15                   That motion carries.

16                   Okay. Next item.

17                   COMMISSIONER DiGIACOMO COLINS: The last  
18 item is a statement that I've been asked to read  
19 regarding the supplier regulations.

20                   This statement is meant to clarify the  
21 Board's position concerning the supplier regulations  
22 as discussed at the December 15th, 2005 Board  
23 meeting.

24                   When the Board does adopt temporary  
25 supplier regulations, each supplier applicant will be

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1 granted a minimum of ten days within which it may  
2 amend its filings in response to the regulations  
3 adopted by the Board.

4                   Additional fees may result as a consequence  
5 of such amendments. However, unless the Board  
6 otherwise directs fees or other payments relating to  
7 any application will not become refundable by reason  
8 of amendments to the application or any portion  
9 thereof.

10                   Licensing asked me to read that to  
11 everyone. Thank you.

12                   CHAIRMAN DECKER: Thank you, Mary.

13                   Are there any other items that come before  
14 the Board today, either old business or new business?

15                   Hearing none, again, we're going to have an  
16 Executive Session but will not be coming back. We'll  
17 entertain a motion to adjourn the meeting.

18                   COMMISSIONER CONABOY: So moved.

19                   CHAIRMAN DECKER: Any objection? The  
20 meeting is adjourned.

21                   (The meeting adjourned at 12:32 p.m.)

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1                   I hereby certify that the proceedings and  
2 evidence are contained fully and accurately in the  
3 notes taken by me on the within proceedings and that  
4 this is a correct transcript of the same.

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Hillary M. Hazlett, Reporter  
Notary Public

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